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LEONI

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The Quality Connection

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Group Management Report

Business and underlying conditions

Reports by division

Wiring Systems

> Wire & Cable

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Wiring Systems

Key figures Wiring Systems	2006	2005	Change
Group external sales	EUR 954.2 million	EUR 879.4 million	8.5 %
EBIT	EUR 61.8 million	EUR 61.4 million	0.7 %
EBIT/external sales	6.5 %	7.0 %	—
Capital expenditure *	EUR 33.1 million	EUR 40.5 million	(18.3) %
Employees (as at 31/12)	27,199	25,729	5.7 %

* Capital expenditure on property, plant and equipment as well as intangible assets

Product range and markets

The Wiring Systems division is engaged primarily in manufacturing pre-assembled, ready-to-install wiring systems and cable harnesses for passenger cars and commercial vehicles. A wiring system comprises all the wiring in a vehicle, which also integrates components such as mounting and sealing parts, cable channels, fuse boxes, power distributors and electronic control systems. LEONI is stepping up its business involving such components to extend the depth of value added. The term cable harness, by contrasts, describes the wiring of individual vehicle components, such as the engine, dashboard, doors and seats.

Along with the car industry and makers of trucks, buses, forklifts, construction machinery and special vehicles, component suppliers are among the major customers. In particular, these include makers of engines, safety and exhaust emission systems as well as other components (e.g. seats, air conditioners, mirrors and sunroofs).

Downloads

The complete Annual Report 2006

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Group Management Report

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Consolidated Financial Statements

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Notes

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Additional Information

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Key Figures

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Business performance

The Wiring Systems division benefited in 2006 from the good order situation in the automotive industry and in the period under report and increased its external sales by nearly nine percent to EUR 954.2 million. The key factors were a larger volume of sales and the trend towards highly equipped premium-segment cars, which require more complex wiring systems. The additional sales and the correspondingly good capacity utilisation resulted, despite the persisting pressure on prices, in a slightly improved earnings situation: earnings before interest and taxes (EBIT) rose from EUR 61.4 million to EUR 61.8 million. This includes expenses amounting to EUR 11.1 million for restructuring at various facilities in Germany and abroad.

In the period under report, the Wiring Systems division spent EUR 33.1 million (EUR 40.5 million in the previous year) on property, plant and equipment as well as intangible assets. The focus was on setting up new production facilities and expanding existing ones to handle the growing volume of business and to provide the capacity to execute new orders. This is also why the division recruited additional staff in the period under report, boosting the number of employees on 31 December by 1,470 year on year to a total of 27,199 people.

Major projects in the automotive industry

Wiring systems and cable harnesses for customers BMW, DaimlerChrysler, General Motors and Ford were among the mainstays of sales in 2006. These projects, launched in the preceding years, formed the basis for full utilisation of LEONI Wiring Systems' capacity. The large majority of these orders have already reached peak output. LEONI recorded increased sales especially for the Opel Astra and Zafira models, Mercedes A-Class, BMW 3 Series and for Bentley. Deliveries to Ford also increased further. The UK facility in Newcastle-under-Lyme was realigned as a Competence Center for these customers to provide all the British brands belonging to Ford with sharply focused service – including, along with Land Rover, also Jaguar and Aston Martin. Furthermore, the go-ahead was also given in 2006 for series production of cable harnesses for the BMW X5, which is made in the USA. A third production shop was added to the production facility in Hermosillo, Mexico for this reason. Business with Porsche also continued to go well. LEONI remains exclusive supplier for Porsche's 911, Boxster and Cayman models, and also makes engine cable harnesses for Porsche's SUV, the Cayenne.

Commercial vehicle and component business

In 2006, LEONI succeeded in expanding as planned in the international commercial vehicle industry. LEONI increased particularly its US business with customers Caterpillar, Cummins as well as International Truck and Engine Corporation, which the Company supplies mainly from its facility in Hermosillo, Mexico. Initial, larger-scale projects were also launched in Brazil and China. In Europe, the facility in Arad, Romania was expanded into a Competence Center for truck and special vehicle wiring systems because of the sustained, strong demand. Sales in the Suppliers International business unit, in other words to international automotive component suppliers, also increased at a stronger rate than planned in 2006 due mainly to new European orders. To further enhance productivity in this business segment, the facility in

Trencin, Slovakia was restructured.

Increased presence in Asia

With the aim of strengthening its position in the Chinese market, the Wiring Systems division in 2006 set up an additional facility in Shanghai, namely LEONI Electrical Systems (Shanghai) Co. Ltd. A state-of-the-art production facility and a Competence Center, which is responsible for customer care and coordinating development, procurement and sales in China, were built in just seven months. LEONI Electrical Systems was already supplying various automotive manufacturers in China with cable harnesses from June 2006. In addition, the Chinese carmaker SAIC (Shanghai Automotive Industry Corporation) commissioned LEONI to supply the complete wiring system for the new Roewe 750 car, which is based on the former Rover 75 model. Series production for this customer has been underway since early 2007. LEONI had 602 employees in Shanghai at the turn of the year.

In southern China, LEONI had previously operated via the LEONI Wiring Systems (Liuzhou) Co. Ltd. joint venture. To improve its position in this region, the Company acquired the outstanding 30 percent of the shares from previous owner THB in the third quarter of 2006. LEONI Wiring Systems (Liuzhou) has since then been a wholly-owned LEONI subsidiary.

Significant progress was also made in the Korean market. Together with local partner Daekyung Machinery & Engineering Co. Ltd., LEONI received an order to develop and produce engine cable harnesses. This is why LEONI began in 2006 to set up a development and sales office in Korea that began operating in early 2007.

New orders from the car and commercial vehicle industry

The Wiring Systems division received extensive new orders during 2006, which, at their peak, will involve a sales volume of more than EUR 580 million a year. About two thirds of these involve new projects. The others are key follow-on projects with existing customers. They will also ensure medium-term utilisation of the existing capacity in Europe, Asia and the Americas. The customers placing these orders include BMW, DaimlerChrysler, Ford, General Motors, VW/Audi as well as various commercial vehicle manufacturers. The preparatory work is already underway and will mostly be carried out in 2007. Initial sales contributions are expected from 2008.

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